

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

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Date: **April 7, 2015**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

UIL: 4945.04-04

**LEGEND**

X = Foundation's foci

Dear :

You asked for advance approval of your educational grant procedures under Internal Revenue Code section 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax.

**Our determination**

We approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of Code section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

**Description of your request**

Your letter indicates that you will operate an educational grant program.

Your purpose is to support innovative ideas with lasting impact in the areas of X.

The purpose of the educational grant program is to foster ideas that will have lasting impact by supporting individual scholars and practitioners through grants for travel, study or similar purposes, which will enable individuals of extraordinary accomplishment or potential to carry out specific projects in support of your charitable purposes.

All grants will enable the grantees to achieve a specific objective; produce a report or other similar product; or improve or enhance the grantee's scientific, teaching, or other similar capacity, skill, or talent, in accordance with section 4945(g)(3) of the Internal Revenue Code.

The number and amount of individual grants in a given year will depend on certain factors, including the following:

- a. The opportunities your staff sees for projects that will have significant benefits for the public and the grantee's professional development;
- b. The nature of the work to be supported; and
- c. The availability of funds.

You will publicize grant opportunities through the following methods:

- a. You will post grant opportunities and application information directly on your website;
- b. You will advertise broadly within each respective highly specialized field, as many grants will be to individuals in such fields;
- c. You will make announcements through relevant academic field channels about any competition for individual grants; and
- d. Your program administrators may directly contact individuals and institutions in the relevant specialized fields to raise awareness of grant competitions.

The criteria you will use to select potential grantees will be directly related to the purposes of the grants being awarded. Specifically, your criteria will include, as appropriate, any relevant educational background and professional experience, prior achievements, demonstrated motivation, character, ability, and potential.

Where necessary to achieve the goals of a grant, you may impose reasonable restrictions on the group of potential grantees, to ensure that potential grantees are sufficiently qualified to carry out the purposes of your grant. You will only impose restrictions on the group of potential grantees that are calculated to effectuate the charitable purposes of your grants. No restriction imposed by you will have the purpose of benefiting particular individuals or groups of individuals.

Your staff members, who have expertise in the subject area of the potential grantees' projects and experience to properly apply your award criteria to the pool of potential grantees, will select potential grantees on an objective and nondiscriminatory basis and then recommend to you for approval. Staff may in some cases seek advice from outside advisors on the design of grant projects or the merit of specific proposals.

None of the individuals who select potential grantees of your grants will be in a position to derive a private benefit, directly or indirectly, if certain grantees are awarded grants over others. No family members of individuals who select grantees of your grants will be eligible to receive grants. No grants will be awarded to your founder, creator, officers, board members, or staff, or their families, or to any disqualified person with respect to you, or for a purpose that is inconsistent with the purposes set forth in section 170(c)(2)(B) of the Internal Revenue Code.

Your staff will identify potential grantees and submit those recommendations for approval through the same procedures used for organizational grants. Such procedures require sign-off by your Board of Directors, the Board Chair and President, or the President, depending on the amount of the grant. Grants will be approved pursuant to your standard grant approval policy approved by your Board of Trustees.

You will retain complete records of all grants awarded. These records will include the following:

- a. All information you obtain to evaluate applicants;
- b. Each applicant's completed application;
- c. The identification of grantees;
- d. The amount of each grant;
- e. Progress reports from grantees; and
- f. Any additional relevant information that you have obtained in the course of the grant administration process.

You will require each grantee to report in writing on his or her accomplishments, the impact of the funded project on his or her professional development, and the use of the funds received. Any funds not needed, and therefore not used, to complete the funded project must be transferred back to you.

If you suspect that any part of a grant may have been used for improper purposes, you will take all reasonable and appropriate steps to investigate the diversion.

Investigations of diversions are performed by your Program Officers, under the supervision of an attorney in your Legal Department. As needed, you will also involve finance professionals from your Finance Department to review the grantee's financial reports.

You will conduct investigations through written requests for information from the grantee; in-person meetings with the grantee; and telephonic interviews with the grantee.

The Legal Department will hold additional payments through your online grants management system. No future payments will be released until the Legal Department authorizes the release of the hold. You will withhold further payments on any grant to that grantee until the following conditions are satisfied:

- a. Such funds are recovered or restored;
- b. The grantee assures you that future diversions will not occur; and
- c. The grantee takes extraordinary precautions to prevent further diversions from occurring.

If you determine that any part of a grant has been diverted for improper purposes, you will take all reasonable and appropriate steps to either recover the grant funds or ensure

the restoration of the diverted funds and the dedication of other grant funds held by the grantee to the purposes of the grant.

If a diversion has occurred, your Legal Department will notify the grantee in writing of the grantee's obligation to return the diverted funds. Or, if you reasonably believe that the diversion was inadvertent, your Legal Department will notify the grantee in writing of the obligation to restore the grant funds and provide you with assurances that all grant funds held by the grantee will be used for the grant purpose only.

Your Legal Department will monitor the recovery or restoration of funds, and will send additional written notices and follow-up communications, as needed. Should you determine that restoration, rather than return, of diverted funds is appropriate, you will obtain written assurances from the grantee that future diversions will not occur, and will work with the grantee to establish strong controls over the funds, such as establishing a segregated bank account and requiring monthly or quarterly financial reports be provided to you.

### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is:
  - A scholarship or fellowship subject to section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii); or
  - A prize or award subject to the provisions of section 74(b), if the recipient of the prize or award is selected from the general public; or
  - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

**Other conditions that apply to this determination**

- This determination covers only the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot make grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

Please keep a copy of this letter in your records.

If you have any questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations